

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1642-01  
Bill No.: HB 515  
Subject: Taxation and Revenue - General and Income  
Type: Original  
Date: February 24, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
General Revenue	(\$320,049)	(\$254,389)	(\$258,316)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$320,049)</b>	<b>(\$254,389)</b>	<b>(\$258,316)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials of the **Office of Administration - Division of Budget and Planning (BAP)** assume this bill mandates that nonresidents who have Missouri adjusted gross income of at least their personal exemptions, dependent exemptions, and Missouri standard deduction file a Missouri income tax return. It also allows for direct deposit of income tax refunds.

BAP defers to the Department of Revenue for an estimate of the fiscal impact.

This proposal would not affect BAP.

Officials of the **Department of Revenue (DOR)** state this legislation changes the minimum filing threshold from \$1,200 for residents and \$600 for nonresidents to the total of the taxpayer's allowable personal exemption, dependency deduction and standard deduction.

DOR assumes it also requires DOR to allow direct deposit on all income tax returns. Currently, direct deposit is only allowed for returns filed electronically.

ASSUMPTION (continued)

Section 143.481

DOR assumes this would not have any additional administrative impact, nor any additional savings for DOR. However, it would be a savings for the taxpayers.

Section 143.482

Taxation would need to have the additional information (2 lines minimum) added to all of the tax returns. This will cause all returns except the 1040 to go to two pages. Additional printing costs would be incurred because additional pages have to be added in sequences of 4 to allow for the correct layout for the vendors. This would add \$.05 cost to each book and DOR prints 2.1 million - an additional printing cost of \$105,000. The additional key entry by Personal Tax for the additional 2 lines would increase the Tax Season Temporaries by 18 since the routing and banking numbers would have to be double keyed for accuracy. Personal Tax will also need 2 Tax Season Temporaries to handle the rejects or miss sent deposits.

MINITS has some of the programming in place for E-file - however, key entry would need to be changed, screens would need to be modified such as the shadow copy (taxpayer's information prior to error correction). DOR estimates that it would take 2 programmers, 2 months to achieve these tasks or 692 hours for a cost of \$23,085. State Data Center storage would be \$2,249. Additional software will be needed to verify the account number provided by the taxpayer is an open bank account. DOR believes that this software will cost a minimum of \$7,500.

Customer Assistance anticipates additional telephone calls from taxpayers checking on the status of their refund if the wrong routing number was supplied. One Tax Collection Tech I would be needed for every 24,000 additional calls a year. DOR notes that some money (wrong routing number or bank number and deposited into the incorrect account) might never be identified or recovered.

DOR notes that the effective date of this legislation is 1/1/03 and would be placed on the returns filed starting January 2004.

DOR states that BAP should estimate the general revenue impact. However, DOR notes that the taxpayers affected by the change in the filing threshold would not owe any Missouri tax. The change keeps the taxpayer from having to file a tax return (and probably pay a preparer).

According to the Missouri Statistics of Income for Individual Income Tax Returns for 1999, prepared by the University of Missouri, Research Center, 333,105 returns were filed with Missouri Adjusted Gross Income (MAGI) of less than \$10,000 and no taxable income. Of these

ASSUMPTION (continued)

returns, 152,399 had tax withheld. Based on this information, **Oversight** assumes DOR could reduce their number of Tax Season Temporaries by two as DOR could see a reduction in the number of returns filed. Therefore **Oversight** will reduce the number requested by DOR to 18 Tax Season Temporaries as a result of this proposal.

**Oversight** has, for fiscal note purposes only, changed the starting salary for the Tax Collection Technician 1 to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (6 Mo.)	FY 2005	FY 2006
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**GENERAL REVENUE FUND**

<u>Cost - Dept. of Revenue</u>			
Personal Service (18 Temps, 1 FTE)	(\$126,153)	(\$136,000)	(\$136,481)
Fringe Benefits	(\$3,795)	(\$7,780)	(\$7,975)
Expense and Equipment	(\$52,267)	(\$210)	(\$216)
Programming & Software	(\$32,834)	(\$2,249)	(\$2,249)
Printing	<u>(\$105,000)</u>	<u>(\$108,150)</u>	<u>(\$111,395)</u>
Total Costs - DOR	(\$320,049)	(\$254,389)	(\$258,316)

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$320,049)</u></b>	<b><u>(\$254,389)</u></b>	<b><u>(\$258,316)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2004 (6 Mo.)	FY 2005	FY 2006
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### DESCRIPTION

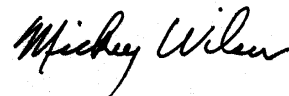
This proposal makes changes to the Missouri Individual Income Tax Return filing requirements. Under current law, every resident individual required to file a federal return with Missouri Adjusted Gross Income (MAGI) of \$1,200 and every nonresident individual required to file a federal return with MAGI of \$600 or more must file a return. This proposal increases the filing requirement to every resident and nonresident required to file a federal return with MAGI exceeding the individual's personal exemptions, standard deduction, and dependency exemptions.

This proposal authorizes direct deposit of individual income tax refunds to financial institutions located in the United States.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Department of Revenue  
Office of Administration  
Division of Budget and Planning



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